Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Message Text

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PAGE 01 BRIDGE 00922 01 OF 02 252204Z
ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 IGA-02 EB-08 CIAE-00 INR-07
NSAE-00 SS-15 SP-02 /050 W
----------252242Z 114503 /73
P 251922Z APR 77
FM AMEMBASSY BRIDGETOWN
TO SECSTATE WASHDC 2675

C O N F I D E N T I A L SECTION 1 OF 2 BRIDGETOWN 0922

EO 11652: GDS
TAGS: PFOR, BB
SUBJECT: PARM PROPOSAL FOR BILATERAL ASSISTANCE

REF STATE 084733

1. IN ITS FY 78-79 PARM, THE EMBASSY PROPOSED THAT THE PRESENT US POLICY OF PROVIDING AID TO THE STATES OF THE EASTERN CARIBBEAN ON AN EXCLUSIVELY REGIONAL BASIS BE ALTERED AND THAT SOME AID BE PROVIDED ALSO ON A BILATERAL BASIS. REFTEL RESPONDS TO THIS PROPOSAL BY RAISING QUESTIONS DEALING WITH FIVE SEPARATE AREA OF CONSIDERATION. SPECIFICALLY, AID ASKS US TO COMMENT ON:
A) TYPES OF PROJECTS ENVISAGED, ECONOMIC RATIONALE, AND RELATION TO AID'S MANDATE;
B) THE ISLANDS' ABAILITY TO PLAN, IMPLEMENT AND ABSORB BILATERAL ASSISTAANCE;
C) JUSTIFICATION FOR GRANT AID;
D) THE POSSIBLE NEGATIVE EFFECT ON REGIONALISM OF A CHANGE IN OUR AID POLICY; AND
E) THE EXPECTED ADMINISTRATIVE BURDEN AND STAFFING NEEDS.

2. THE FUTURE OF REGIONALISM. PARA ONE AND QUESTION (D) OF REFTEL EXPRESS A CONCERN THAT THE PROPOSED POLICY SHIFT WILL HAVE A NEGATIVE EFFECT ON "REGIONAL COOPERATION" AND "OUR DESIRE TO ENCOURAGE THE MAXIMUM PARTICIPATION BY
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PAGE 02 BRIDGE 00922 01 OF 02 252204Z

OTHER AID DONORS." IT IS TRUE THAT, IF REGIONALISM WERE ALIVE AND THRIVING, OUR BEGINNING TO PROVIDE BILATERAL AID WOULD TO SOME, PROBABLY LIMITED, EXTENT IMPEDE ITS FORWARD PROGRESS. UNFORTUNATELY, WHITLE THE RHETORIC LIVES, THE SUBSTANCE OF REGIONALISM IS QUITE DEAD (IF INDEED IT EVER REALLY LIVED OUTSIDE THE MINDS OF BRITISH COLONIAL OFFICIALS). OUR CONTINUING THE PRESENT POLICY OF PROVIDING

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

ASSSTANCE EXCLUSIVELY THROUGH REGIONAL INSTITUIONS
WILL NEITHER REVIVE MEANINGFUL REGIONAL COOPERATION
NOR PROLONG THE LIVES OR ENHACE THE FFECTIVENESS OF RE-
GIONAL INSTITUTIONS. IT WILL, HOWEVER, ROB US OF THE POS-
SIBILITY OF MAKING A LIMITED BUT REALISTIC CONTRIBUTION TO
THE SMALL ISLANDS' DEVELOPMENT, AS WELL AS OF THE OPPORTUNITY
TO FORESTALL POLITICAL DEVELOPMENTS INIMICAL TO OUR INTERESTS.
WE DO NOT DISAGREE WITH THE DEPARTMENT'S VIEW THAT REGIONAL
INTEGRATION IN THE EASTERN CARIBBEAN (AND ELSEWHERE) IS
DESIRABLE. HOWEVER, EVEN PRIOR TO THE RECENT RESTRICTIVE
TRADE MEASURES ENACTED BY THE JAMAICAN AND GUYANESE GOVERNMENTS
AND THE RECENT ATTACKS BY SMALL ISLAND LEADERS ON THE
CDB AND CARICOM, DISTINTEGRATION RATHER THAN INTEGRATION
WAS THE DOMINANT TREND. NOTHING WE CAN DO WILL CHANGE
THAT FACT AND, MOREOVER, A CONTINUING FUTILE ATTEMPT TO
DO SO GAINS US NOTHING BUT RISKS LOSING US A GREAT DEAL.
NOR SHOULD BE BELIEVE THAT OUR PROVISION OF BILATERAL
AID WILL LESSEN THE COMMITMENT OF TOHER DONORS. BRITISH
AID IS PHASING OUT (EVEN MORE RAPIDLY THAN WE HAD ANTI-
CIPATED) AND WILL EVENTUALLY BE REDUCTED TO AMINIMUM IR-
RESPECTIVE OF OUR ACTIONS. CANADIAN AID, WE ARE TOLD BY
CANADIAN OFFICIALS HERE, MAY RISE SLIGHTLY BUT IS BASICALLY
FIXED, AND THERE IS NO REASON TO BELIEVE IT WILL DECREASE
IF WE GO BILATERAL.

3. PROGRAMS. IN OUR OPINION, BILATERAL ECONOMIC AID TO THE
SMALL ISLANDS SHOULD CONCENTRATE ON PROJECTS THAT WILL LEAD
TO PERMANENT EMPLOYEMTN. INFRASTRUCTURE PROJECTS SHOULD
BE GENERALLY AVOIDED UNLESS CORRECTING A PARTICULAR DEFI-
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CIENCY IS A NECESSARY PRE-CONDITION TO INCREASED EMPLOYMENT.

(FOR EXAMPLE, WE SHOULD CONSIDER AID TO PROMOTE LIGHT IN-
DUSTRY, BUILD FACTORY SHELLS, AND RECRUIT INVESTORS, BUT
NOT TO CONSTRUCT ROADS UNLESS TRANSPORATION IMPROVEMENT
COUPLED WITH THE REMEDYING OF OTHER DISINCENTIVES WILL
CLEARLY INCREASE PRODUCTION AND THEREBY EMPLOYMENT.)
SOCIAL CAPITAL PROJECTS LIKE HOUSING SHOULD BE AVOIDED.
BUT NOT NECESSARILY HOUSING IMPROVEMENT. ON THE OTHER HAND,
HEALTH IMPROVEMENT EFFORTS WOULD BE USEFUL. OUR RULE SHOULD
BE TO AVOID SEEKING TO DO THE "UNDO-ABLE," SUCH AS TRYING TO
MAKE THE ISLANDS SELFSUFFICIENT IN PROCESSED FOOD. INSTEAD,
WE SHOULD TAKE ACCOUNT OF THEIR NATURAL ADVANTAGES (LITERATE
LABOR FORCE, LOCATION CLOSE TO NORTH AMERICA, TROPICAL CLIMATE,
TOURISM POTENTIAL) AND ASSIST BOTH THE GOVERNMENTS AND
THE PRIVATE SECTOR TO EXPLOIT THOSE ADVNTAGES. ASSIST-
ANCE TO AGRICULTURE CERTAINLY SHOULD NOT BE RULED OUT,
BUT IT SHOULD BE AIMED AT PROMOTING THE PRODUCTION OF
CROPS THAT ENJOY SOME NATURAL ADVANTAGE SUCH AS FRUIT

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

CROPS, ARROWROOT, SPICES, COFFEE AND COCOA. WHILE IT IS APPEALING TO CONCENTRATE ON FOOD PRODUCTION AS AN IMPORT SUBSITUTION MEASURE, AND INCREASING LOCAL FOOD PRODUCTION IS AN OBVIOUS WAY OF REDUCING THE ISLANDS' FOREIGN EXCHANGE OUTFLOWS, WE FEAR THAT, BECAUSE OF SCALE LIMITATIONS, TRANSPORTATION PROBLEMS AND OTHER ECONOMIC AND SOIAL FACOTRS, THIS EFFORT CAN SUCCEED IN ONLY A LIMITED WAY. ON BAANCE, IT IS PROBABLY MORE RATIONAL ECONOMICALLY FOR THE ISLANDS TO CONTINUE TO IMPORT A SUBSTANTIAL QUANTITY OF THEIR FOOD AND TO CONCENTRATE ON PRODUCING FOR FOREIGN EXCHANGE GOODS (E.G., TRADITIONAL AGRICULTURAL EXPORTS) AND SERVICES (E.G. TOURISM) FOR WHICH THEY HAVE A NAUTURAL ADVANTAGE. AID TO EDUCATION SHOULD BE AVOIDED, EXCEPT FOR TECHNICAL TRAINING, AND EVEN THEN, ONLY IF THERE IS A PRESENT OR REALISTICALLY ANTICIPATED FUTURE LOCAL NEED FOR THOSE TO BE TRAINED.

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SOME OF WHAT WE HAVE PROPOSED ABOVE AID IS PRESENTLY TRYING TO ACCOMPLISH USING REGIONAL INSTITUIONS. HOWEVER, AS WE HAVE ARGUED PREVIOUSLY (IN LAST YEAR'S CASP AND THIS YEAR(S PARM), IT IS OUR CONVICTION THAT REGIONALISM IS ON THE WANE AND THEREFORE OUR EFFORTS--IF THEY ARE TO BE EFFECTIVE AND AT THE SAME TIME PROVIDE US WITH NECESSARY POLITICAL LEVERAGE--MUST NECESSARILY BE INCREASINLY BILATERAL IN CHARCTER. THE TARGET GROUPS WE PROPOSE TO REACH WITH BILATERAL ASSISTANCE ARE IDENTICAL WITH THOSE BEING ADDRESSED THROUGH PRESENT AND PROPOSED REGIONAL PROJECTS AND THEREFORE, IN OUR VIEW, SHOULD CONFORM WITH AID'S CONGRESSIONAL MANDATE.

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ACTION ARA-10

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Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

TO SECSTATE WASHDC PRIORITY 2676

C O N F I D E N T I A L SECTION 2 OF 2 BRIDGETOWN 0922

4. ABSORPTIVE CAPACITY AND THE ABILITY OF ISLAND GOVERN-
MENTS TO UTILIZE AID.

THE SMALL ISLAND GOVERNMENTS ARE "THIN", WITH NORMALLY
A REASONABLE DEGREE OF COMPETENCE AT THE TOP AND SCANTY
BACK-UP CAPABILITY DOWN THROUGH THE HIERARCHY. MUCH OF
OUR INITIAL AID EFFORT WILL REQUIRE ALMOST "TURN-KEY"
PROJECTS. LATER, WITH INCREASED COMPETENCE IN THE GOVERN-
MENTS DERIVED FROM TRAINING ASSISTANCE, THIS PROBLEM SHOULD
DIMINISH. (TRAINING ASSISTANCE, HOWEVER, CANNOT BE
EXPECTED TO BE OVERLY EFFECTIVE IN THE LOCAL CONTEXT.
THE LOSS RATE AMONG THOSE GIVEN EXTERNAL TRAINING WILL
REMAIN HIGH AND OVER-TRAINING SHOULD BE CAREFULLY AVOIDED.
IN ADDITION, ISLAND GOVT PERSONNEL SHOULD ONLY BE
TRAINED FOR AN EXISTING OR EXPECTED SLOT, AND THEY SHOULD
ONLY BE TRAINED UP TO THE LEVEL OF SOPHISTICATION THEIR
GOVTS CAN EFFECTIVELY UTILIZE.) THE TWENTY-FIVE
PERCENT CONTRIBUTION REQUIRMENT SHOULD NOT PROVE A
SERIOUS CONSTRAINT, GIVEN BOTH THE ISLAND' LIMITED AB-
SORPTIVE CAPACITIES AND THE MODEST PROGRAM LEVELS
ANTICIPATED.

5. GRANT AID. OUR RATIONALE FOR GRANT AID TO THE EASTERN
CARIBBEAN LDC'S IS THAT THEIR SMALL SIZE, ECONOMIC DIFFI-
CULTIES, AND THE FURTHER BURDEN ABOUT TO BE IMPOSED ON THEM
OF PROVIDING THE TRAPPINGS OF SOVEREIGNTY WILL MAKE IT DIF-
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PAGE 02 BRIDGE 00922 02 OF 02 252202Z

FICULT FOR THEM TO SERVICE EVEN MODERATE AMOUNTS OF AID DEBT.
IT IS NOT GENERALLY REALIZED HOW POOR THESE COUNTRIES REALLY
ARE. INDEED, IT MAY WELL BE THAT A MAJORITY OF THE RURAL
INHABITANTS OF DOMINICA AND ST. VINCENT (AND POSSIBLY ST.
LUCIA) ENJOY A PER CAPITA GDP IN HAITI'S CLASS. SINCE WE
ARE NOT ADVOCATING A TOTAL ABANDONMENT OF REGIONAL AID, WE
BELIEVE IT WOULD BE LOGICAL IN THE BEGINNING TO PROVIDE
BILATERAL AID IN GRANT FORM WHILE PROCEEDING SIMULTANEOUSLY
WITH THE MORE PROMISING OF THE PLANNED LOANS TO REGIONAL
INSTITUTIONS.

6. ADMINISTRATIVE CONSIDERATIONS/STAFFING. WE SEE A
MULTIPLICITY OF ARRANGEMENTS AS POSSIBLE, BUT FEEL
THAT ULTIMATE CHOICES MUST BE DEFERRED UNTIL THE PRO-
GRAMS ARE CAST IN MORE CONCRETE TERMS. ADMINISTRATIVE
COSTS WILL UNDENIABLY BE HIGH COMPARED TO AID DELIVERED
BUT, AT THE SAME TIME, LOW IN ABSOLUTE TERMS.

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

MINI-AID PROGRAMS IN THE SMALL ISLANDS WILL, OF
NECESSITY BREAK NEW GROUND AND, IN ORDER TO BE EFFECTIVE,
BOTH IN TERMS OF PROGRAM DESIGN AND ADMINISTRATION, WILL
OFTEN REQUIRE DEPARTURES FROM STANDARD PRACTICE. THERE
WILL BE NEW DIFFICULTIES AS WELL AS THE OLD FAMILIAR ONES,
BUT WE TRUST THAT SOLUTIONS CAN BE FOUND.

8. THE INDEPENDENCE TIMETABLE AND OUR TIMING.

IN THE LAST 18 MONTHS, THE EXPECTED ORDER IN WHICH THE
FIVE ASSOCIATED STATES ARE EXPECTED TO MAKE THE BREAK HAS
CHANGED DRASTICALLY. HOWEVER, IT NOW SEEMS LIKELY DOMINICA
WILL GO FIRST (NOVEMBER 1977), ST. KITTS-NEVIS SECOND
(POSSIBLY BEFORE YEAR'S END BUT MORE LIKELY SOMETIME IN THE
FIRST HALF OF 1978) AND ST. LUCIA THIRD, ALTHOUGH THAT
ISLAND'S DATE IS HARD TO PREDICT. WE ARE SURE THE BRITISH
WILL INTERPOSE NO OBJECTIONS TO OUR LAYING THE GROUNDWORK
FOR BILATERAL AID PRIOR TO ACTUAL INDEPENDENCE. THE AN-
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NOUNCEMENT ALONE OF AN INTENTION TO BEGIN BILATERAL AID WOULD,
WE BELIEVE, CONTRIBUTE SIGNIFICANTLY TO STABILIZING THE
POLITICAL SITUATION IN THE REGION. HOWEVER, IF WE DELAY
UNDULY AND REMAIN UNRESPONSIVE TO THE ISLAND LEADERS'
REPEATED REQUESTS FOR BILATERAL AID, THE POLITICAL EN-
VIRONMENT IS LIKELY TO CHANGE QUICKLY IN WAYS DAMAGING
TO OUR INTERESTS. MOREOVER SUCH CHANGES, IF THEY OCCUR,
COULD PRECLUDE OUR LATER SUCCESSFUL INVOLVEMENT. WE
UNDERSTAND THAT UNDER NORMAL PROGRAMMING PROCEDURES, BILATERAL
PROJECTS COULD NOT BE INSTITUTED PRIOR TO FY79.
THAT, IN OUR VIEW, WOULD BE TOO LATE. WE URGE THE DEPART-
MENT AND AID TO FIND WAYS OF DEVISING A QUICKER RESPONSE TO
THE ISLANDS' NEEDS (EVEN IF IT REQUIRES CONGRESSIONAL NOTI-
FICATION).

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Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

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Disposition Case Number: n/a
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Secure: OPEN
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TAGS: PFOR, EAID, BB, XL, US
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EO Systematic Review
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